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SFA**BILL ANALYSIS**

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Senate Bill 73 (as reported with amendments)

Sponsor: Senator Jon Cisky

Committee: Appropriations

CONTENT

The bill would amend the Reciprocal Retirement Act ("Act 88") to allow Act 88 retirees to retire at the earliest eligible retirement age, even if that age is less than 60.

Senate Bill 73 would delete the minimum retirement age of 60 for Act 88 retirees as specified in the Act. This amendment would allow members choosing to invoke the provisions of Act 88 to do so at the earliest eligible age rather than having to wait until age 60. In summary, Act 88 allows a person employed by a governmental unit in Michigan to use service credited in another governmental unit to meet the vesting requirements. For example, if a person works for the State of Michigan for three years and then goes to work for Ingham County for seven years, the person may combine the years from the two units of government to meet the 10-year vesting requirement of each unit of government, provided the latter employer has adopted Act 88. However, the current provisions in Act 88 state that the person must attain age 60 before receiving a retirement benefit, even if the retirement system from which the person will receive a benefit allows retirement at an earlier age.

MCL 38.1104

FISCAL IMPACT

There would be no fiscal impact on the State or local units of government from adopting the proposed amendment to Act 88, because the affected members would not be receiving any additional benefit. They only would be receiving a benefit to which they are fully entitled and upon which the State or local governmental unit made contributions throughout the members' working career. It is unknown how many members in the four retirement systems that have adopted Act 88 will receive benefits through the provisions of the Act.

Previous data indicate that less than 2% of all eligible retirees are Act 88 retirees. Each year, the actuarial assumptions take into account the percentage of active employees who will be eligible to retire within the next year at various age levels. If the amendment to Act 88 were enacted, it can be assumed that about 2% of each system's retirees would be Act 88 retirees.

As stated earlier, it is unknown exactly how many members would benefit from the proposed amendment to Act 88. It is certain that many Act 88 retirees who now have to wait until age 60 to retire would retire at an earlier age. Again, it is important to state that the proposed amendment to Act 88 would have no measurable fiscal impact on the State or local units of government.

Date Completed: 10-9-97

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